

**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA  
CONCORDIA PARISH POLICE JURY  
Ferriday, Louisiana**

**General Purpose Financial Statements  
and Auditor's Reports**

**December 31, 2006  
and for the Year then Ended**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-18-07

**SEWERAGE DISTRICT #1 OF CONCORDIA PARISH  
TABLE OF CONTENTS**

Required Supplemental Information Management's Discussion and Analysis	1 - 4
Independent Auditor's Report	5 - 6
<b><u>SECTION I - BASIC FINANCIAL STATEMENTS</u></b>	
Proprietary Fund:	
Statement of Net Assets	7
Statement of Revenues, Expenses, and Changes in Fund Net Assets	8
Statement of Cash Flows	9
Notes to Financial Statements	10 - 19
<b><u>SECTION II - REPORT ON INTERNAL CONTROL AND COMPLIANCE</u></b>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20 - 21
<b><u>SECTION III - REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 and OTHER REPORTS REQUIRED BY THE SINGLE AUDIT ACT</u></b>	
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	22-23
Schedule of Findings and Questioned Costs	24
Schedule of Expenditure of Federal Awards	25
Notes to the Schedule of Expenditure of Federal Awards	26
<b><u>SECTION IV - SUPPLEMENTAL INFORMATION</u></b>	
Schedule of Commissioners' Compensation	27

**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA**  
**(A Component Unit of the Concordia Parish Police Jury)**  
**MANAGEMENT DISCUSSION & ANALYSIS (MD&A)**  
**YEAR ENDED DECEMBER 31, 2006**

## **INTRODUCTION**

The discussion and analysis (MD&A) of the Sewerage District No. 1 of the Parish of Concordia's financial performance provides an overall narrative review of the District's financial activities for the year ended December 31, 2005 and 2006. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

The office of Sewerage District No. 1 of the Parish of Concordia is located on Mack Moore Road near Ferriday, Louisiana in Concordia Parish.

## **FINANCIAL HIGHLIGHTS**

- Assets exceeded liabilities by \$7,623,164 and \$8,741,396 at December 31, 2005 and 2006.
- Total revenues exceeded expenditures by \$2,569,213 and \$1,118,231 for 2005 and 2006.
- The District had net capital assets of \$10,531,536 and \$11,632,614 at December 31, 2005 and 2006.
- The District had salaries and benefits of \$65,846 and \$63,037 in 2005 and 2006.

## **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Sewerage District No. 1 of the Parish of Concordia's basic financial statements. The District's basic financial statements comprise two components: 1) fund financial statements, and 2) notes to the financial statements.

**Fund financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses and changes in net assets presents information showing how the District's net assets changed during the most recent fiscal year.

SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA  
 (A Component Unit of the Concordia Parish Police Jury)  
 MANAGEMENT DISCUSSION & ANALYSIS (MD&A)  
 YEAR ENDED DECEMBER 31, 2006

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 10-19 of this report.

**FUND FINANCIAL ANALYSIS**

**Net Assets for the period ending December 31, 2006 and 2005**

The following is a condensed statement of the Sewerage District No. 1 of the Parish of Concordia's net assets as of December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Current Assets	\$ 277,079	\$ 183,535
Restricted Assets	74,938	59,672
Noncurrent Assets - Capital Assets	<u>11,632,614</u>	<u>10,531,536</u>
<b>Total Assets</b>	<u>11,984,631</u>	<u>10,774,743</u>
Current Liabilities - Payable from Restricted Assets	211,541	79,482
Long-term Liabilities	<u>3,031,694</u>	<u>3,072,097</u>
<b>Total Liabilities</b>	<u>3,243,235</u>	<u>3,151,579</u>
<b>Net Assets</b>		
Investment in capital assets, net of related debt	8,566,489	7,443,528
Restricted for debt service	45,012	36,994
Unrestricted	<u>129,895</u>	<u>142,642</u>
<b>Total Net Assets</b>	<u>\$ 8,741,396</u>	<u>\$ 7,623,164</u>

The largest portion of the District's net assets (\$8,566,489 or 98%) is its investment in capital assets such as equipment less related debt expended in the acquisition of those assets.

**SEWERAGE DISTRICT # 1 OF THE PARISH OF CONCORDIA**  
**(A Component Unit of the Concordia Parish Police Jury)**  
**MANAGEMENT DISCUSSION & ANALYSIS (MD&A)**  
**YEAR ENDED DECEMBER 31, 2006**

Another portion of the District's net assets (\$45,012 or 1%) is restricted to paying long-term debt. The remaining balance of the net assets (\$129,895 or 1%) may be used to pay current operating expenses and utility deposits.

The District has long-term debt of \$3,031,694 which was used to finance additions to the utility system. More information concerning this debt may be found on pages 14-16 of the notes to the financial statements. Total liabilities of \$3,243,235 are equal to 27% of the total assets of the District.

The following is a summary of the statement of activities for 2006 and 2005:

	<u>2006</u>	<u>2005</u>
<b>Revenues:</b>		
Sewerage fees	\$ 333,345	\$ 307,834
Interest income	3,190	1,208
Grants	<u>1,322,110</u>	<u>2,693,700</u>
<b>Total revenues and transfers</b>	<u>1,658,645</u>	<u>3,002,742</u>
<b>Expenses:</b>		
Operating expenses	409,433	374,029
Interest expense	<u>130,981</u>	<u>59,500</u>
<b>Total expenses</b>	<u>540,414</u>	<u>433,529</u>
 Increase in net assets	 1,118,231	 2,569,213
 Net assets, beginning of year	 <u>7,623,165</u>	 <u>5,053,951</u>
Net assets, end of year	<u>\$ 8,741,396</u>	<u>\$ 7,623,164</u>

**CAPITAL ASSETS AND DEBT**

As of December 31, 2006, the District had \$11,632,614 invested in capital assets net of accumulated depreciation of \$1,210,278. During the year expenditures of \$1,307,582 were made in connection with the new construction.

As of December 31, 2006, the District had outstanding bonded indebtedness of \$3,066,125. Principal and interest payments of \$166,198 are due to be paid during 2007. This debt consists of two different issues which are secured by a pledge of the sewer system and revenues from sewer fees. The debt is as follows:

**SEWERAGE DISTRICT # 1 OF THE PARISH OF CONCORDIA**  
**(A Component Unit of the Concordia Parish Police Jury)**  
**MANAGEMENT DISCUSSION & ANALYSIS (MD&A)**  
**YEAR ENDED DECEMBER 31, 2006**

Original balance of \$1,450,000 issued 2003 at 4 1/4% interest, due monthly at \$6,424	\$ 1,428,780
---	--------------

Original balance of \$1,646,000 issued 2004 at 4 3/8% interest, due monthly at \$7,423 including interest	<u>1,637,345</u>
--	------------------

Total indebtedness	<u>\$ 3,066,125</u>
--------------------	---------------------

**REQUEST FOR INFORMATION**

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or request for additional information may be directed to George Jolla, Manager at (318) 757-7507.

**SECTION I**  
**BASIC FINANCIAL STATEMENTS**

**JERI SUE TOSSPON, CPA, LLC**

Certified Public Accountant

P O Box 445

Ferriday, Louisiana 71334-0445

(318)757-9393 Fax (318)757-9300

jtosspn@bellsouth.net

**INDEPENDENT AUDITOR'S REPORT**

**The Board of Commissioners  
Sewerage District #1 of the Parish of Concordia  
Ferriday, Louisiana**

I have audited the accompanying financial statements of the business-type activities of the Sewerage District #1 of the Parish of Concordia (Sewer District), as of and for the year ended December 31, 2006, which comprises the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sewer District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Sewer District, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

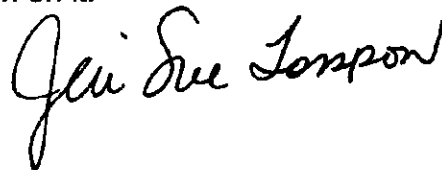
As described in Note 1, the Sewer District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of December 31, 2004.



In accordance with *Government Auditing Standards*, I have also issued my report dated June 25, 2007, on my consideration of the Sewer District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management discussion and analysis on pages 1 through 4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sewer District basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.

A handwritten signature in cursive script, reading "Jeli Sue Tompon".

Ferriday, Louisiana  
June 25, 2007

**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA**  
**(A Component Unit of the Concordia Parish Police Jury)**  
**STATEMENT OF NET ASSETS-PROPRIETARY FUND**  
**DECEMBER 31, 2006**

**ASSETS**

<b>Current Assets</b>	
Cash (Note 3)	\$ 72,850
Certificates of deposit (Note 3)	33,629
Accounts receivable (Note 4)	23,322
Accounts receivable - grants	147,110
Accrued interest receivable	168
<b>Total Current Assets</b>	<b><u>\$ 277,079</u></b>
 <b>Non-Current Assets - Restricted Assets (Note 5)</b>	
Bond Debt Service Fund	\$ 28,922
Bond Sinking Fund	8,045
Depreciation Fund	8,045
Consumer Deposits	29,926
<b>Total non-current assets - restricted assets</b>	<b><u>\$ 74,938</u></b>
 <b>Non-Current Assets - Capital Assets (Note 6)</b>	
Property, plant and equipment	\$ 12,700,004
Land	142,888
Less accumulated depreciation	1,210,278
<b>Total non-current assets - capital assets</b>	<b><u>\$ 11,632,614</u></b>
 <b>TOTAL ASSETS</b>	<b><u>\$ 11,984,631</u></b>

**LIABILITIES**

<b>Current Liabilities (Payable from restricted assets)</b>	
Tenant deposits	\$ 30,000
Accounts payable	147,110
Accrued interest payable	0
Notes payable, current portion	34,431
<b>Total current liabilities (payable from restricted assets)</b>	<b><u>\$ 211,541</u></b>
 <b>Long Term Liabilities (Note 7)</b>	
Notes payable - Phase I	\$ 1,394,349
Notes payable - Phase II	1,637,345
<b>Total long term liabilities</b>	<b><u>\$ 3,031,694</u></b>
 <b>TOTAL LIABILITIES</b>	<b><u>\$ 3,243,235</u></b>

**NET ASSETS**

Invested in capital assets, net of related debt	\$ 8,566,489
Restricted for debt service	45,012
Unrestricted	129,895
 <b>TOTAL NET ASSETS</b>	<b><u>\$ 8,741,396</u></b>

See accountant's audit report and accompanying notes to financial statements.

**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA**  
**(A Component Unit of the Concordia Parish Police Jury)**  
**STATEMENT OF REVENUE AND EXPENSES**  
**AND CHANGES IN NET ASSETS - PROPRIETARY FUND**  
**YEAR ENDED DECEMBER 31, 2006**

Operating Revenues:	
Sewerage fees	\$ 333,345
Other income	
	<hr/>
Total Operating Revenues	\$ 333,345
	<hr/>
Operating Expenses:	
Salaries and benefits	\$ 63,037
Operating expenses	41,194
Collection fees	43,542
Utilities	33,473
Commissioners' fees	6,900
Insurance	9,865
Professional fees	4,430
Bond fees and costs	489
Depreciation	206,503
	<hr/>
Total Operating Expense	\$ 409,433
	<hr/>
Net Income (Loss) from Operations	\$ (76,088)
	<hr/>
Nonoperating Revenues and (Expenses)	
Federal funds - grants received, USDA	\$ 1,322,110
Interest	3,190
Interest expense	(130,981)
	<hr/>
Total Nonoperating Revenues and (Expenses)	\$ 1,194,319
	<hr/>
Changes in Net Assets	\$ 1,118,231
	<hr/>
Total Net Assets - Beginning	7,623,165
	<hr/>
Total Net Assets - Ending	\$ 8,741,396
	<hr/>

See accountant's audit report and accompanying notes to financial statements.

**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA**  
**(A Component Unit of the Concordia Parish Police Jury)**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2006**

<b>Cash flows from operating activities:</b>	
Cash received from sewerage fees	\$ 331,080
Cash received as sewer deposits	7,200
Cash paid to suppliers	<u>(202,929)</u>
Net cash provided by operating activities	<u>\$ 135,331</u>
<b>Cash flows from investing activities</b>	
Additions to fixed assets	<u>\$ (1,160,471)</u>
Net cash used by investing activities	<u>\$ (1,160,471)</u>
<b>Cash flows from capital and related financing activities</b>	
Loans from the USDA, Rural Development	\$ 0
Principal paid on loans	(21,883)
Interest paid on loans	(171,752)
Federal and state grants	1,175,000
Interest income	<u>3,190</u>
Net cash provided by financing activities	<u>\$ 984,555</u>
<b>Net increase in cash</b>	<u>\$ (40,585)</u>
<b>Cash and certificates of deposit at beginning of year</b>	<u>222,002</u>
<b>Cash and certificates of deposit at end of year</b>	<u><u>\$ 181,417</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ (76,088)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	206,503
Changes in assets and liabilities:	
Increase in accounts receivable	(2,284)
Increase in tenant deposits	<u>7,200</u>
Net cash provided by other activities	<u><u>\$ 135,331</u></u>
<b>Interest paid, year ended December 31, 2006</b>	<u><u>\$ 171,752</u></u>

See accountant's audit report and accompanying notes to financial statements.

**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As of and for the Year Ended December 31, 2006**

**NOTE 1 - INTRODUCTION**

Sewerage District #1 of the Parish of Concordia (Sewerage District #1) is a part of a financial reporting entity, the Concordia Parish Police Jury. It was created by the Police Jury by Ordinance 460, dated November 22, 1976, to provide public sewerage and waste treatment service to the rural areas of eastern Concordia Parish, in accordance with Louisiana Revised Statute 33:3881.

Sewerage District #1 is governed by a Board of Supervisors, made up of five members who are qualified voters and residents of the District. They are appointed by the members of the Concordia Parish Police Jury to serve at the will of the Police Jury until such time as their successors are appointed and have qualified. They are compensated at the rate of \$60 per meeting for up to 24 regular meetings and up to 12 special meetings per year, with the secretary/treasurer authorized to receive an additional \$25 per month for services rendered to the District.

The District serves more than 1,150 consumers. They maintain the sewerage treatment facilities and sewer lines of the District. The District employs two full-time employees and part-time employees as needed.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Government-Wide and Fund Financial Statements** - Concordia Waterworks District is a special-purpose government engaged in only business-type activities and, as such, is only required to present fund financial statements.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Concordia Sewer District reports the following proprietary funds:

Sewer - to account for the revenues from customers and expenses of the operation of the sewer plant

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund

financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include:

1. Charges to customers for goods, services, or privileges provided.
2. Operating grants and contributions.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer District include charges for water use, penalties for late payment of water bills and charges for connection. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. Reporting Entity** - As the governing authority of the parish, for reporting purposes, the Concordia Parish Police Jury is the financial reporting entity for Concordia Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Concordia Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organizations governing body, and
  - a. The ability of the police jury to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority

but are fiscally dependent on the police jury.

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints a voting majority of the Sewerage District's board and said board is fiscally dependent on the police jury, the district was determined to be a component unit of the Concordia Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the district and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity. As a component unit, the accompanying financial statements could be included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units

D. Cash and Certificates of Deposit - Cash includes amounts in demand deposits and certificates of deposit. The district conducts all its banking transactions with two state-chartered institutions in Concordia Parish.

At December 31, 2006, the Sewerage District #1 had \$181,417 (banks' balance) on deposit at these financial institutions. All cash and certificates of deposit are deposited in financial institutions insured by an agency of the United States Government. Additionally, there is \$411,016 in additional collateral held by the bank in the District's name as required.

E. Inventories - Inventories of materials and supplies are considered to be expenditures at the time of the purchase. Amounts on hand at the financial statement date are immaterial and, therefore, are not included in the balance sheet.

F. Property, Plant and Equipment - Additions to the utility plant in service are recognized at cost, or if contributed property, at their estimated fair market value at the time of contribution. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation of fixed assets used by the Sewerage District is charged as an expense against their operations. Depreciation on assets provided through grant funds (contributed capital) is charged against such capital as provided by Section G60.116 of the GASB Codification.

Depreciation is calculated over the estimated useful life of the assets using the straight line method as follows:

Sewerage system and equipment  
Other assets

30 years  
10 years

**G. Income Taxes** - Sewerage District #1 is a component unit of the Concordia Parish Police Jury, and, as such, is not subject to federal or state income taxes.

**H. Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

#### **NOTE 3 - CASH AND CERTIFICATES OF DEPOSIT**

At December 31, 2006, Sewerage District #1 had cash and certificates of deposit (book balances), totaling \$181,417, as follows:

Demand deposits	\$147,788
Certificates of deposit	<u>33,629</u>
Total	<u>\$181,417</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge or securities owned by the fiscal agent bank. At December 31, 2006, the district had \$181,417 in collected bank balances. These deposits are secured from risk by federal deposit insurance and pledged securities.

#### **NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable consists of the monthly billing at January 1, 2007 for sewerage services rendered during December, 2006. These fees are billed by Concordia Waterworks District #1 along with the water billings each month and are paid to the Sewerage District after the first of the next month. Only the current month billings are due at any time and no amount is past due.

#### **NOTE 5 - RESTRICTED ASSETS**

Certain assets were restricted for debt service and consumer deposits. These assets consisted of and are restricted to the following:



Bond debt service	\$ 28,922
Bond sinking fund	8,045
Bond reserve fund	8,045
Consumer deposits	<u>29,926</u>
	<u>\$ 74,938</u>

#### **NOTE 6 - CHANGES IN FIXED ASSETS**

There were changes as follows in the fixed assets of Sewerage District #1 during the year ended December 31, 2006:

	January 1, 2006	Additions	December 31, 2006
Land and ponds	\$ 142,888		\$ 142,888
Sewerage system	11,369,910	\$1,307,582	12,677,492
Other fixed assets	<u>22,513</u>		<u>22,513</u>
	\$11,535,311	\$1,307,582	\$12,842,893
Less accumulated depreciation	<u>1,003,775</u>	<u>206,503</u>	<u>1,210,278</u>
Net property, plant and equipment	<u>\$10,531,536</u>	<u>\$1,101,079</u>	<u>\$11,632,615</u>

During 1992, the Concordia Parish Police Jury constructed a sanitary sewer system in the Levens Addition Area, Ferriday, Louisiana, financed by a grant from the Louisiana Community Development Block Grant program, to be operated by the Sewerage District. The system was complete and began operation in August, 1992. The Concordia Parish Police Jury transferred the system to the Sewerage District as of January, 1993.

During 1995, the Police Jury constructed another sanitary sewer system in the Doty Road area, Ferriday, Louisiana, financed by a grant from the Louisiana Community Development Block Grant program, to be operated by the Sewerage District. The system was complete and began operation in July, 1995. The Sewerage District operates the system and has collected fees starting in August, 1995. The Concordia Parish Police Jury transferred the system to the Sewerage District as of November, 1995.

In 2003, the Sewer District began Phase I of a long range plan designed to bring sewer service to much of the unserved area in Concordia Parish. The phase was completed in 2005, and Phase II of the plan was begun in mid-2004. The construction is being funded by grants and loans from the United States Department of Agriculture, Rural Development Water and Wastewater Program.

## NOTE 7 - CHANGES IN LONG-TERM DEBT

The following is a summary of the notes payable for the year ended December 31, 2006:

	Note R-1, R-2 & R-3	Note R-1 & R-2	Total
Notes payable at January 1, 2006	\$1,444,770	\$1,643,238	\$3,088,008
Less principal paid	15,990	5,893	21,883
Add amounts borrowed			
Notes payable at December 31, 2006	<u>\$1,428,780</u>	<u>\$1,637,345</u>	<u>\$3,066,125</u>

Long-term debt at December 31, 2005 consists of:

Notes Payable #R-1, R-2 and R-3 - Phase I - Sewer Revenue Bonds due to the United States of America, Rural Development, issued August 21, 2003 in the original amount of \$1,450,000 at an interest rate of 4 1/4% due in monthly installments of \$6,423.50 including amortized principal and interest through August 21, 2043. Interest only is due on August 21, 2004 and 2005. These loans are secured by a pledge of revenues from the sale of sewer services by the district. \$1,428,780

Notes Payable #R-1 and R-2 - Phase II - Sewer Revenue Bond due to the United States of America, Rural Development, issued June 21, 2004 in the original amount of \$1,646,000 at an interest rate of 4 3/8% due in monthly installments of \$7,423.46 including amortized principal and interest through June 21, 2044. Interest only is due on June 21, 2005 and 2006. This loan is secured by a pledge of revenues from the sale of sewer services by the district. 1,637,345

Total notes payable \$3,066,125

The District's proprietary fund bonds are governed by bond indentures, the terms of which are summarized as follows:

### Notes R-1, R-2 & R-3 - Phase I

- A. **Sewer Revenue Bond and Interest Sinking Fund (Sinking Fund)**  
The district shall transfer monthly in advance on or before the 20<sup>th</sup> day of each month of each year a sum equal to the total amount of principal and interest falling due on the next principal payment date for the Bonds (except during the first year the Bonds are outstanding, a monthly sum equal to one-twelfth (1/12th) of the interest falling due on the first payment date).

**B. Sewer Revenue Bond Reserve Fund (Reserve Fund)**

The district shall transfer monthly in advance on or before the 20<sup>th</sup> day of each month of each year, a sum equal to five percent (5%) of the amount to be paid into the Sinking Fund, to continue until such time as there has been accumulated in the Reserve Fund a sum equal to the highest combined principal and interest falling due in any year on the bonds payable.

**C. Sewer Depreciation and Contingency Fund (Contingency Fund)**

The district shall transfer monthly in advance on or before the 20<sup>th</sup> day of each month of each year, a sum equal to five percent (5%) of the amount to be paid into the Sinking Fund, to continue until such time as there has been accumulated in the Reserve Fund a sum equal to the highest combined principal and interest falling due in any year on the bonds payable, then the monthly payments into the Contingency Fund shall increase by an amount equal to 5% of the amount being paid into the Sinking Fund.

The District is compliance with these covenants.

Phase II funds will begin when the work is completed and accepted.

The annual requirements to retire general long-term debt as of December 31, 2006 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 34,431	\$ 131,767	\$ 166,198
2008	35,941	130,257	166,198
2009	37,528	128,670	166,198
2010	39,181	127,017	166,198
2011	40,904	125,294	166,198
Thereafter	<u>2,878,140</u>	<u>2,438,618</u>	<u>5,316,758</u>
	<u>\$3,066,125</u>	<u>\$3,081,623</u>	<u>\$6,147,748</u>

**NOTE 8 - LITIGATION**

The District is not involved in any litigation at December 31, 2006.

**NOTE 9 - PENSION PLAN**

The two permanent employees of the Sewerage District #1 of the Parish of Concordia are members of the Parochial Employees Retirement System of Louisiana (System), a multiple employer (cost sharing) public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two

distinct plants, Plan A and Plan B, with separate assets and benefit provisions. All employees of the District are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from District funds and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only prior to January 1, 1980, the benefit is equal to one percent of final average salary plus \$24 for each year of supplemental-plan-only service earned prior to January 1, 1980. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The system also provides death and disability benefits. Benefits are established by state statute.

Contributions to the system include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. State statute requires covered employees to contribute a percentage of their salaries to the System. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year.

The following provides certain disclosures for the Sewerage District and Plan A of the retirement system that are required by GASB Codification Section P20.129:

	Year ended December 31, 2006	
Total current year payroll	\$49,424	
Total current year covered payroll	\$53,859	
Contributions:		
Required by statute:		
Employees*	9.50%	\$ 4,695
Employer	12.75%	6,302
Total	<u>21.25%</u>	<u>\$ 10,998</u>
*In excess of \$100 per month		
Actual:		
Employees	9.50%	\$ 4,695
Employer	12.75%	6,302
Total	<u>21.25%</u>	<u>\$ 10,997</u>
Actuarially required:		
Employees	9.50%	\$ 4,695
Employer	12.39%	6,124
Total	<u>20.72%</u>	<u>\$ 10,819</u>

**Plan totals**

	Year ended December 31, 2005	
Actuarial Value of Assets	\$ 1,624,148,795	
Actuarial Accrued Liability	<u>1,535,416,950</u>	
Unfunded Actuarial Accrued Liability	<u>\$ (88,731,845)</u>	

The pension benefit obligation information is presented as of December 31, 2005, as the December 31, 2006 information is not yet available. The pension benefit obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rated benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The System does not make separate measurements of asset and pension benefit obligations for individual employers.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 2005 comprehensive annual financial report. The District does not guarantee the benefits granted by the System.

#### **NOTE 10 - POST-RETIREMENT HEALTH, DENTAL AND LIFE INSURANCE BENEFITS**

The Concordia Parish Sewer District does not provide continuing health, dental, and life insurance benefits to retired employees, except for those benefits paid for in full by the retired employee.

#### **NOTE 11 - LEASES**

The Sewer District has no capital or material operating leases at December 31, 2006.

## **SECTION II**

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE**

**JERI SUE TOSSPON, CPA, LLC**

Certified Public Accountant  
P O Box 445  
Ferriday, Louisiana 71334-0445  
(318)757-9393 Fax (318)757-9300  
jtosspn@bellsouth.net

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS.**

**The Members of the Sewerage District  
Sewerage District #1 of the Parish of Concordia  
Ferriday, Louisiana**

I have audited the financial statement of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sewerage District #1 of the Parish of Concordia as of and for the year ended December 31, 2006, and have issued my report thereon dated June 25, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Sewerage District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Sewerage District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Sewerage District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than a remote likelihood that a misstatements of the Sewerage District's financial statements that is more than inconsequential will not be prevented or detected by the Sewerage District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Sewerage District's internal control.

My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be significant deficiencies or material



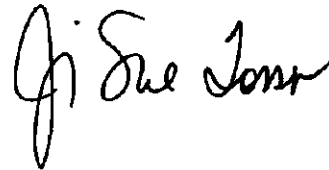
weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sewerage District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of the Sewerage District in a separate letter dated June 25, 2007.

This report is intended solely for the information and use of management, the members of the Sewerage District, Legislative Auditor, lenders and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:413, this document may be distributed by the Legislative Auditor as a public document.



Ferriday, Louisiana

June 25, 2007

### **SECTION III**

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**OTHER REPORTS REQUIRED BY THE SINGLE AUDIT ACT**

# **JERI SUE TOSSPON, CPA, LLC**

Certified Public Accountant  
P O Box 445  
Ferriday, Louisiana 71334-0445  
(318)757-9393 Fax (318)757-9300  
jtosspn@bellsouth.net

## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Sewerage District Members  
Sewerage District #1 of the Parish of Concordia  
Ferriday, Louisiana

### **Compliance**

I have audited the compliance of the Sewerage District #1 of the Parish of Concordia, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2006. The Sewerage District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Sewerage District's management. My responsibility is to express an opinion on the Sewerage District's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sewerage District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Sewerage District's compliance with those requirements.

In my opinion, the Sewerage District #1 of the Parish of Concordia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

### **Internal Control Over Compliance**

The management of the Sewerage District, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Sewerage District's internal control over compliance with requirements that could have a direct and material effect over a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not

for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Sewerage District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Sewerage District's internal control.

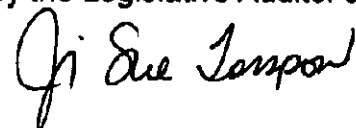
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Sewerage District's internal control.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be significant deficiencies or material weaknesses. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses, as defined above.

#### **Schedule of Expenditures of Federal Awards**

I have audited the general purpose financial statements of the Sewerage District as of and for the year ended December 31, 2006 and have issued my report thereon dated June 25, 2007. My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements of the Sewerage District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as whole.

This report is intended solely for the information and use of the management, others within the organization, members of the Sewerage District, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:413, this document may be distributed by the Legislative Auditor as a public document.



June 25, 2007

**Sewerage District #1 of Concordia Parish**  
**Schedule of Findings and Questioned Costs**  
**Year ended December 31, 2006**

**Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Sewerage District.
2. No reportable conditions disclosed during the audit of the general purpose financial statements were reported.
3. No instances of noncompliance material to the general purpose financial statements of the Sewerage District were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs were reported.
5. The auditor's report on compliance for the major federal award programs for the Sewerage District expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for the Sewerage District are reported in this Schedule.
7. The programs tested as major programs included:

Department of Agriculture, Water and Waste Disposal Systems for  
Rural Communities, CFDA 10.760
8. The threshold for distinguishing between Types A and B programs was \$300,000.
9. The Sewerage District was determined to be a low-risk auditee.

**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2006**

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Program Amount</u>	<u>Beginning Balance at January 1, 2006</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Balance at December 31, 2006</u>
United States Department of Agriculture Water and Waste Disposal Systems for Rural Communities , 2004	10.780	\$ 11,690,880	\$ 52,547	\$ 1,322,110	\$ 1,344,564	\$ 30,093
			<u>\$ 52,547</u>	<u>\$ 1,322,110</u>	<u>\$ 1,344,564</u>	<u>\$ 30,093</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

## **SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA**

Notes to Schedule of Expenditures of Federal Awards  
As of and For the Year ended December 31, 2006

### **NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Sewerage District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

### **NOTE 2 - RECEIPTS**

Receipts from the United States Department of Agriculture, Water and Waste Disposal Systems for Rural Communities during the fiscal year ended December 31, 2006 were as follows:

	<u>Loans</u>	<u>Grants</u>
2004 Program		
R-1		<u>\$1,322,110</u>

**SECTION IV**  
**SUPPLEMENTAL INFORMATION**



**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA  
SCHEDULE OF COMMISSIONERS' COMPENSATION  
YEAR ENDED DECEMBER 31, 2006**

Mr. Eddie Turner, President	\$1,440
Mr. Ellis Taylor	1,380
Mr. Roy Wagoner	1,440
Mr. Rodney Mathews	1,200
Mr. Harry Greer, Secretary/Treasurer	<u>1,440</u>
	<u>\$6,900</u>

**JERI SUE TOSSPON, CPA, LLC**

Certified Public Accountant

P O Box 445

Ferriday, Louisiana 71334-0445

(318)757-9393 Fax (318)757-9300

jtosspn@bellsouth.net

Board of Commissioners and Management  
Sewerage District #1 of the Parish of Concordia  
Ferriday, Louisiana

I have audited the financial statements of the Sewerage District #1 of the Parish of Concordia (Sewer District) for the year ended December 31, 2006, and have issued my reports dated June 25, 2007. As a part of my examination, I made a study and evaluation of the Sewer District's system of internal accounting control to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purposes of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his examination of the financial statements. My study was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Sewer District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purposes described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Sewer District taken in as a whole. However, my study and evaluation disclosed no condition that I believed to be a material weakness.

My comments on specific financial and accounting matters and recommendations developed during my examination which do not represent material weaknesses, are detailed below.

## **CURRENT FINDINGS**

### **1. SEPARATION OF DUTIES**

Due to the small size of the entity, it is not possible to separate job functions to ensure proper internal control.

#### **MANAGEMENT RESPONSE**

The Board will continue to monitor financial activities to help ensure proper internal control. All effort will be made to separate functions within the small size of the entity.

### **2. 1099'S**

It was noted that 1099's were not prepared for at least two individuals who were paid in excess of \$600 in 2006.

#### **MANAGEMENT RESPONSE**

This will be monitored and corrected in all future years.

## **PRIOR FINDINGS**

### **1. RESERVE/CONTINGENCY FUNDS**

During my audit, it was noted that these funds are not interest bearing. Changing the accounts would generate more funds to be held for the future maintenance and operations of the district.

#### **MANAGEMENT RESPONSE**

Management will contact the bank to change these accounts.

### **SUBSEQUENT TESTING**

These accounts are now interest bearing

### **2. INVOICES**

While testing cash disbursements, several invoices for immaterial items were not presented. Every expenditure of funds needs to be supported by some type of documentation.

### MANAGEMENT RESPONSE

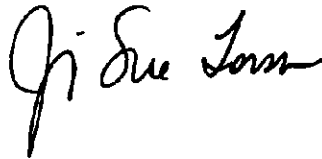
Management will ensure that documentation is obtained for all expenditures.

### SUBSEQUENT TESTING

When a sample of disbursements was examined, no items were noted without backup.

This report is intended for the use of the Sewer District's management and others within the organization.

I thank all the personnel at the Sewer District for their cooperation during my examination.

A handwritten signature in black ink, appearing to read "Ji Sue Linn". The signature is written in a cursive, flowing style.

Ferriday, Louisiana  
June 25, 2007